



California  
Tourism

*In This Issue: How Travel Has Changed Since September 11*

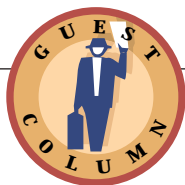
## Placer County Site of Newest Welcome Center

While traversing the Gold Country or heading to or from North Lake Tahoe, visitors can now stop in the State's newest official California Welcome Center (CWC) in Auburn. The new center, which opened September 30, is conveniently located off Interstate 80 at one of the busiest interchanges in Northern California. The Placer County location is just off I-80 and the Foresthill Road exit (on Lincoln Way), an area which, according to Caltrans, has more than 7 million cars exit annually.

Inside, visitors as well as residents can discover the wealth of history, culture, attractions and amenities that define the diverse mosaic of the California community. The center provides many services and information for visitors through collateral materials and displays on local, regional and state tourist destinations. Expected to assist more than 2,500 travelers each month, the center provides California lodging reservations, travel planning services, telephone-based foreign language assistance, guide maps,

Sno-Park passes, California souvenir merchandise, and Internet access for visitors to check e-mail.

CWC Auburn, operated by the Placer County Visitors Council, serves as California's eleventh official tourist information center and joins the other locations in Arcata, Anderson, Barstow, Los Angeles, Merced, Oceanside, Rohnert Park, San Francisco, Santa Ana and Yucca Valley. For further information about the CWC program contact Tom Lease at (916) 322-3429. ★



## California Cooks

By Mary Sue Milliken & Susan Feniger  
Chef-Owners, *Border Grill & Ciudad*

We had a strong hunch back in the early '80s that California might be the right place for us to open our first restaurant. Susan had fallen in love with Southern California during her undergraduate days at Claremont, where she would ski in the morning and play tennis in the afternoon — leaving just enough time to study in the evening.

After graduation, she attended the Culinary Institute of America in upstate New York and then returned to the



Midwest to work at Chicago's famed Le Perroquet, where we first met — the only women in a male-dominated French kitchen. From there, we both went to France to serve traditional apprenticeships. In fact, it was late one night in Paris, after working too many shifts and sharing a good bottle of cheap wine that we had our epiphany. We vowed to open our own restaurant back in the States.

In retrospect, the fact that we actually did it and succeeded had no small part to do with the place. Southern California provided just the right climate for two budding entrepreneur/chefs to take root and flower. The dining public was adventurous back in the '80s, the quality of ingredients was superb and the business community was open enough to give two young women with a dream a chance to prove themselves. Even food journalists were looser here than on the more staid East Coast. Instead of questioning the legitimacy of two gringas from the Midwest cooking Mexican food, they saw what we were doing, loved the food, embraced the concept, and started spreading the word.

What started out as a hunch — we actually ended up in Los Angeles because Susan took a job with Wolfgang Puck at Ma Maison when she returned from France — has grown into a philosophy.

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by Caroline Beteta, Executive Director  
California Travel and Tourism Commission

## The Numbers Are In

### *The Good News, The Bad News, and Where We Go From Here*

For most in the California travel industry, November is a shoulder season. Business predictably has fallen off from the critical summer season, and the industry begins reflecting on the entire spring/summer travel season and comparing it to the prior year — particularly this year in light of the travel impacts associated with September 11.

For California Tourism, the travel impact study has been completed for 2001 and the results are certainly mixed — making it a proverbial “good news, bad news” scenario.

#### **First, the Good News**

California was one of only three states to actually gain domestic market share in 2001 (Texas and Michigan made very marginal gains as well), moving the state from 10.8% to 11.6%. In fact, California's 2001 share gain equaled the combined total gain for all other states. Since 1998, when the travel industry began funding the CTTC and resulting marketing programs, California's domestic market share has increased from 9.7% to 11.6%. This share increase has reversed a decade-long decline, and resulted in an additional 50.7 million person trips and an incremental \$8.7 billion in visitor spending.

In regards to in-state campaign results, California's residents heard the message “to get out there and find themselves,” and they heeded the call to travel. The in-state campaign, including Governor Davis' \$8.5 million travel recovery initiative, was the right strategic decision given the post-September 11 situation — and California residents came to the rescue during the November 2001-February 2002 time period. Without the increase in resident travel in 2001 (up 10% from 2000 and



totaling 266 million person-trips for the year), the state's overall travel volume would have fallen below national and key competitor levels, as California's non-resident travel predictably dropped by 8%. Non-resident leisure spending was also down 5%.

The in-state campaign ended up with a net spend of \$3.2 billion. For every dollar invested, an additional \$304 was generated in visitor spending . . .

The in-state campaign ended up with a net spend of \$3.2 billion. For every dollar invested, an additional \$304 was generated in visitor spending, while a total of \$10.6 million was generated in direct state tax revenue. Interestingly, a significant push was made to highlight the urban destinations since they were the hardest hit, and top-of-mind consideration for San Francisco, San Diego and Los Angeles more than doubled after the advertising ran.

Many of California's countryside destinations received a boost in tourism spending as well. Interim Director of State Parks, Ruth Coleman, recently reported record high attendance this year. CTTC Vice Chair Bob Roberts, who heads the California Ski Industry Association, also

reported a “dead-even” finish with last year's record season, despite one of the worst snowfall seasons for Southern California resorts in four decades. Even CTTC Commissioner John Dunlap, president of the California Restaurant Association, recently reported the industry grew nearly 1% last year, with gross revenue projected to increase by 1.4%.

#### **The Bad News**

Despite the surge in intra-state travel, the overall health and spending levels for California travel haven't reached full potential in all parts of the state. Larger destinations and major attractions that are more dependent on non-resident and international travelers, as well as the lucrative business travelers, are still experiencing a very soft market. San Francisco, for example, which is heavily dependent on both air travel and international business travel, experienced a 17% drop in domestic passenger travel at San Francisco International Airport through May compared to last year. In addition, California's lodging industry has struggled due to the heavy dip in business travel, projected to be down by 25% through October of 2002 (over 2001 figures).

#### **The Post 9/11 Traveler – More Challenges Ahead**

Perpetuating these symptoms are the post 9/11 travelers and their new behavioral traits. Challenging the business recovery is the permanent replacement of business trips with video conferencing, online meetings and conference calls, which doubled from 5% to 10% by the end of the survey period. As well, to avoid flying, leisure travelers virtually doubled their drive time to eight hours and business travelers increased theirs to five hours. Not surprising, travelers are staying closer to home. More than one-third of all travelers are concerned about their finances, and have a “wait and see” attitude about large trips and decisions for the near future. Business travelers are also shortening their length of stay.

#### **Where Do We Go From Here?**

Given the shift in current travel patterns and expectations, California Tourism's advertising and promotional efforts for

2003 are intended to address these current travel behaviors. For the year 2003, a more than \$4 million domestic advertising plan will include a focus on Western markets, with a particular interest in the drive markets. Part of the plan will include a continued in-state print advertising component.

The CTTC also plans to produce a second year of the "Best of California" TV series which aired in-state from March through October 2002, and averaged 750,000 viewing households each week. The 2003 series will include a new "Best of California" Web site designed to further stimulate travel to and throughout California. Syndication efforts for the TV

series are planned for the domestic market, and are being explored for select European markets.

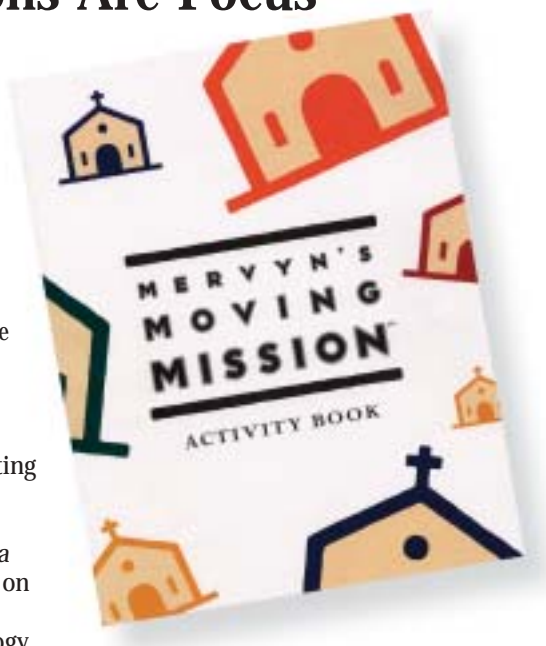
Complementing these efforts will also be cooperative programs currently being organized for 2003 (see pages 4 - 5). Through collaboration and partnership with regard to these marketing and promotional efforts, California Tourism remains optimistic about improved travel activity and expenditures for 2003. ★

*For more information about the official research contained within this article, please visit the Research & Statistics tab within the Travel Industry section of [www.visitcalifornia.com](http://www.visitcalifornia.com).*

## California Missions Are Focus of Activity Book For Students

"Why is there a bear on the California flag?" "What is the State bird?" "Where are the missions located?"

Each year, California Tourism receives thousands of requests like these from fourth-grade students who are completing a state history requirement. Fourth-graders requesting information on California currently receive a *California Fun Facts Map* containing information on state government, icons, landmarks, water, agriculture, and a brief chronology of the missions. Now the new *Mervyn's Moving Mission<sup>SM</sup> Activity Book* will give students an in-depth look into mission life and the important role they played in shaping California. Originally created as a companion to Mervyn's Moving Mission<sup>SM</sup> — a specially-outfitted big rig filled with hands-on activities and historical information — California Tourism has received 18,000 copies of the new publication for distribution in student packets in the Western states.



The colorful 28-page book includes facts on mission life, art, agriculture, and food. Interactive sections allow students to create their own mission tower bell, complete crossword puzzles, or color pictures of mission natives.

California Tourism would like to thank Mervyn's for their generous gift and dedication to preserving California culture and history, as well as their ongoing commitment to education. ★



Activity levels at California Tourism's Web site ([visitcalifornia.com](http://visitcalifornia.com)) experienced a seasonal decline during the summer months with a total of 15,097,452 hits\* and 567,067 user sessions\*\*. This reflects a decrease of 10 percent in hits and 12 percent for user sessions over the previous quarter (March, April and May 2002).

Following are points of interest for the period including June, July and August 2002.

☀ **One For the Road:** "The Best of California Driving Tours" — a guide featuring a collection of scenic and interesting drives in the Golden State — generated more than 5,500 visitor sessions. In July and August, the updated guide was one of the most popular files to download from the site.

☀ **I Found What I Needed, Thank You.** This quarter, the average number of page views per unique visitor was nearly the same as last. The previous quarter averaged 8 pages, while the current quarter averaged 7.6.

☀ **Unique Visitors:** The site had 252,702 unique visitors\*\*\* during the reporting period. Approximately 744,700 unique visitors have visited the site to date in 2002.

☀ **Top referring sites:** MSN Search ([search.msn.com](http://search.msn.com)), State portal ([www.ca.gov](http://www.ca.gov)), Google ([google.com](http://google.com)), California Finds ([www.findyourselfincalifornia.com](http://www.findyourselfincalifornia.com)), and County of San Francisco ([www.ci.sf.ca.us](http://www.ci.sf.ca.us)).

\* A hit is a count of all requests including HTML pages, and each image within that page.

\*\* A user session is the number of distinct people who visit the site. This is estimated by grouping together all hits from one Internet provider address, with no more than 30 minutes between each hit, into one user session.

\*\*\* Unique visitors are counted by using the visitor's IP address, domain name or cookie.





### July 2002 Marketing Committee and Commission Meetings

The Marketing Committee gathered in San Francisco on July 17, 2002 for a full-day meeting. On July 18, the California Travel and Tourism Commission (CTTC) Executive Committee met, followed by an all-day meeting of the Commission. Following are key highlights of these meetings:

- **Update on State Budget:** Marketing Committee and Commission members were told that the State did not yet have a signed budget, and that overall the California Technology, Trade and Commerce Agency budget was undergoing a 30% reduction. That withstanding, Governor Davis was committed to supporting the California travel industry, and so far, the tourism budget had not been reduced. (Subsequent to the meeting, the State budget was signed and the tourism budget remained intact.)
- **Marketing Plan:** It was reported to Marketing Committee and Commission members that California Tourism received an additional \$1.57 million in funds from assessment revenue collections and unanticipated interest. An expenditure plan was approved at the end of the meetings that allocated the majority of the additional funding to advertising, with a small portion going into operations and an operating reserve.
- **Advertising Campaign – Research & Market Share:** Research results from the fall 2001 and winter 2001/2002 in-state advertising campaigns were provided and indicated domestic market share increased from 10.8% in 2000 to 11.6% in 2001. California was the only state that experienced a significant market share increase, and almost all other states either lost share or remained flat.
- **2003 Advertising Campaign:** After a competitive analysis of other destination advertising, creative concepts were presented for new California Tourism print ads for the 2003 campaign. This new creative would run in tandem with the lighthearted “Doug” television commercial, which only had a three-week run in fall 2001 before it was pulled to develop ads more appropriate in tone after September 11. At the Commission meeting, it was decided that the ad agency should incorporate comments from the meeting and present modified creative to the Advertising Committee for final approval. (The Advertising Committee subsequently met in September and approved new print creative.)
- **New International Promotion:** A proposal was presented by Black Diamond Films to screen the *Adventures in Wild California* film in the UK, one of California's top overseas visitor markets. The film would play in six IMAX theatres in London in February 2003 and target both the travel trade and consumers. Other extensions and value-added promotions to the program are also being explored. Seed funding of \$150,000 would be needed to run the promotion, and because the proposal was deemed of high value and funding existed in the international budget, the proposal was approved.
- **“Adventures in Wild California” IMAX Film Update:** An update on the California IMAX film relayed that the film was still playing in 13 theaters internationally and domestically. Two successful openings and special events took place in June in New York, and at the Smithsonian in Washington D.C.
- **Rediscover California Newspaper Series:** This in-state program, run in conjunction with television, radio and billboards, included 13 two-page spreads, with a total value of \$5,130,203, and total circulation/gross impressions of 16,106,220. More than 20 advertisers made this cooperative program possible.
- **“Best of California” Television Series:** A summary of the television series was provided: 13 original half-hour shows were produced, with 37 segments spotlighting state destinations and activities in nine of 12 tourism regions; shows ran in weekly timeslots in five key markets, representing 92% of TV households; the series was seen by over 7.8 million adults, 18+ years; 30 to 40 encore shows will air statewide July – September 2002; and the total series

airtime value is more than \$2,288,000. The show was underwritten by BP, and more than 20 sponsors made this cooperative program possible. In conjunction with the “Best of California” television series, a “Best of California Driving Tours” booklet was produced containing 24 driving tours throughout the state. Including all promotional tie-ins, the leveraged media value of the program totaled more than \$7.6 million.

- **Update on The California Channel:** An update was provided on this new concept for a California Travel Channel – an interactive television travel site that is expected to launch in 2005. A committee was formed to guide the development and financing of this project, and along with K2 Communications, has had several conference calls to review and monitor progress. Initial steps involve researching the marketplace and related technologies, while developing a framework for California-based travel content.
- **Cooperative Marketing Activities:** Updates were provided on the following cooperative programs that are cost-effective means to build and expand the California brand:
  - **Golf California and Outdoor Recreation:** Interested parties are currently meeting to develop new cooperative programs that will begin with Web sites.
  - **Shop California:** New Web site ([shopcalifornia.org](http://shopcalifornia.org)) provides listings for retailers statewide and links to California Tourism Web site.
  - **Dine California:** Three main components include: free enrollment for all California restaurants; a Dine California card for consumers; and a Dine California Web site listing for all restaurants on [www.dinecalifornia.org](http://www.dinecalifornia.org), with a direct link from California Tourism's Web site.
  - **Cultural Tourism:** A new Web site, [www.culturecalifornia.com](http://www.culturecalifornia.com), is up and running and cultural/arts/heritage-related businesses and organizations throughout California can post a listing.

• **Other Marketing Activities and New Business:**

- **CTTC Newsletter:** A new newsletter, created to keep all state tourism-related businesses informed about California Tourism's current marketing programs and provide opportunities to get involved, will be distributed on a bi-monthly basis.
- **Outreach:** A team of field representatives continues to meet one-on-one with tourism businesses statewide to provide information on California Tourism's marketing programs and cooperative opportunities.
- **Review of Financial and Marketing Activity Reports:** The Commission reviewed regular reports including: monthly financial statements, an update on assessment funds collected, and interim activity reports from California Tourism staff.

**Marketing and Commission Meetings**

The next meetings will take place in the Desert region (Indian Wells) on the following dates: Marketing Committee and Assessed Business Reception on

October 16, CTTC Executive Committee and full Commission on October 17, 2002.

**Assessment Revenues**

For the 2000 – 2001 fiscal year, the assessment program again topped prior year revenue figures. Total assessments exceeded \$6.8 million. Dollar distribution by industry segment continues at the same levels as prior years with Accommodations at approximately 60%, Restaurants and Retail at 15%, Attractions and Recreation at 10% and Transportation and Travel Services at 15%.

The first mailing of the 2002 – 2003 fiscal year assessment was sent to approximately 9,500 businesses in the first week of August.

New in 2002 – 2003, and prompted in part by inquiries of exempt businesses wishing to voluntarily pay into the marketing fund, staff began compiling a database for potential voluntary payers. Those in tourism-related business segments that have filed "exempt" based on their level of gross receipts will be provided information on how to participate as voluntary payers, and receive the same rights and privileges of mandatory paying businesses. Mailings in lots of 500 began in October and will occur throughout the year.

**CTTC Educational Presentations**

Since the last *Insights* issue, the CTTC delivered educational presentations to the following groups: Anaheim/Orange County Visitor and Convention Bureau; Central Coast Tourism Council; San Diego Convention and Visitors Bureau; TIA's ESTO (Educational Seminar for Tourism Organizations); and a variety of convention and visitor bureaus and their members across the state. Presentation topics included: the economic impact of tourism; California Tourism's competitive landscape among other domestic destinations; marketing shifts in response to September 11 and the economic slowdown; a highlight of 2002-2003 marketing programs, with emphasis on the advertising campaign, "Adventures in Wild California" IMAX film activities and the new California Channel venture; urban and rural tourism promotion; and cooperative opportunities to partner with California Tourism.

CTTC educational presentations, in partnership with tourism-related associations and CVBs across the state, are conducted on an ongoing basis. *To discover how to secure a presentation for your area or organization, or to receive more information about the CTTC's marketing programs, please call (415) 332-4450. ★*

## Best Radio Commercial . . . California Tourism!



California Tourism staff accept a distinguished Mercury award for Best Radio Commercial. Pictured left to right: Joe D'Alessandro, President and CEO, Portland Oregon Visitors Association; Tom Lease, Associate Tourism Specialist, California Division of Tourism; Susan Wilcox, Director of Marketing and Industry Relations, CTTC; Caroline Beteta, Executive Director, CTTC; and Todd Davidson, Executive Director, Oregon Tourism Commission.

California Tourism came out a winner when the Travel Industry Association of America (TIA) recently announced the recipients of this year's Mercury Awards. Honored for *Best Radio Commercial*, California Tourism accepted the award at TIA's annual Educational Seminar for Tourism Organizations (ESTO) in August. California Tourism produced eight radio spots that featured different areas of the state, and were part of an in-state campaign that also included television, print and billboards. The radio spots featured the vocal talent of actor John Corbett and urged listeners to "find themselves in California" and explore the wonders of their own backyard. Chosen from nearly 200 entries in categories ranging from print and broadcast advertising to niche marketing, 13 states received awards.

# Skiers Go For California Snow



This year's edition of *California Snow* will feature an emphasis on the natural wonders of skiing and snowboarding in the Golden State. "Natural Wanders," an informative feature article, will highlight trails and programs at California ski resorts that introduce visitors to the mountain environment, geology and wildlife. These include "Ski With A Ranger" programs and interactive educational sites designed to introduce both children and adults to California's high country. The magazine also looks back at the first ski racers in America and the Californians who recreate their "longboard" skiing contests, as well as includes complete information on the state's snow resorts.

Due to a new partnership with *National Geographic Traveler*, the publication will be distributed in a number of American cities as a companion piece to the upscale publication. In a study commissioned by the California Ski Industry Association, *National Geographic Traveler* was identified as an ideal publishing partner for *California Snow*, with a large percentage of its readership interested in taking winter sports vacations. Target cities were chosen based on the convenience of their air travel connections to California.

*California Snow* also is available online at [www.californiasnow.com](http://www.californiasnow.com) and through California Tourism by calling (800) 862-2543. ★

## California Travel Market Soon Underway

The seventh annual California Travel Market (CTM) will soon bring international buyers and trade press to the Golden State. Organized by the California Travel Industry Association (CalTIA), with support from California Tourism, the popular gathering will take place February 16-20, 2003. Participants will have the opportunity to conduct business and gain firsthand knowledge of the state while sellers of California travel product will have a number of opportunities for one-on-one meetings.

Prior to meeting with sellers, buyers and trade press will arrive at Los Angeles International Airport, then move on to Hollywood for the "star treatment" at the Hollywood Renaissance Hotel. Next up will be the spectacular Hollywood and Highland complex for a taste of L.A. entertainment, style, dining and nightlife.

From Hollywood, buyers and press will travel in style aboard Amtrak to North San Diego County before checking into La Costa Resort and Spa in Carlsbad. Following area tours, buyers will attend a one-day marketplace to exchange information regarding California destinations, attractions and events. To offer even more opportunities for networking and forming new partnerships, plans are also in the works for a spectacular closing night event, as

well as a final day golf tournament.

More than 220 buyers and press, and 240 suppliers — representing destinations, hotels, restaurants, attractions, adventure travel, sports and recreation, romantic getaways, family fun, premium shopping, specialty tours, receptive operators, multi-cultural events and festivals — are expected to attend.

For more information on CTM, or for registration materials, contact the California Travel Industry Association (CalTIA) at (916) 443-3703 or e-mail [infor@caltia.com](mailto:infor@caltia.com). Look for complete buyer, press, and supplier registration materials to be available soon. ★

## Save The Date: 2003 California Conference on Tourism

Just around the corner is the annual California Conference on Tourism, an opportunity to network with industry colleagues, become inspired by dynamic keynote speakers and keep current on tourism issues and trends. Organized by the California Travel Industry Association (CalTIA) with the support of California Tourism, this year's conference is scheduled for March 23-26, 2003, and will be held at the Hilton San Diego Resort on Mission Bay.

Themed *California Tourism Redefined...Capture Our Share*, the conference will include informative

sessions on topics such as "Travel, Tourism, and the Internet;" "Public Relations, Advertising, and Branding;" "Sports Tourism Marketing;" "Market Intelligence and Research;" and "Travel Agents Today." The conference will also include breakfast roundtable discussions addressing governmental relations, retail, and rural and cultural tourism.

Details are in the planning stages, but registration will be here before you know it! For more information on the conference, contact CalTIA at (916) 443-3703 or visit their Web site at [www.caltia.com](http://www.caltia.com). ★



# Bring Us Your Best!

Is there a print ad you're particularly proud of, or a radio advertisement that was exceptionally clever and garnered impressive results?

The annual California Tourism Marketing Excellence Awards are quickly approaching, so gather up your best work and get ready to enter the 2003 Tourism Marketing Excellence Awards!

This year's awards include a wide range of categories such as best print advertising, publications, public relations/publicity,



broadcast advertising, Web site, direct mail campaign, cooperative marketing program, niche marketing, and others.

A panel of judges will narrow entries in each category to semi-finalists, and attendees of the California Conference on Tourism will select winners from semi-finalists on display during the event. The conference will take place March 24-26, 2003 at the Hilton San Diego Resort on Mission Bay.

Start thinking about your entry now and look for details in the mail by January 2003. For more information, contact Sue Coyle, Tourism Award Coordinator, at [scoyle@cttc1.com](mailto:scoyle@cttc1.com) or (916) 446-8882. ★

## California Cooks

*continued from page 1*

Now that we are three Border Grills and one Ciudad in downtown Los Angeles, we are committed to staying in California for several reasons: the incredible produce and variety of high quality ingredients available year round, proximity to Mexico for both raw materials and ideas, and our dedicated staff, which continues to be nurtured out of our home base in LA. Besides, you still can't beat the weather.

These days, how can you make your restaurant a destination for travelers?

One of the most important lessons we learned was the importance of the media. Court them, answer their calls, always make time for an interview and they will pay you back. If there are local food issues or trends, think of something interesting to say and say it in an engaging way and you will start seeing your name, and the name of your restaurant, in print. Even after a national TV show and takeout food line, we never turn down a request from the smallest local publication or TV show. Remember, travelers are scouring magazines, newspapers, and the Internet for restaurant recommendations.

Another relationship that is worth building is one with your local convention and visitors bureau. When we were new in Santa Monica and trying to figure out how to connect with conventioners, we would ask the bureau for the list of groups that were coming to town to see if we could interest them in

the restaurant for a party. One year, Mary Sue faxed a sheet describing the restaurant to attendees of a local film festival to lure them.

Hotels, of course, are powerful motors for directing guests to your restaurant. In each of our locations, we make a point of forming personal relationships not only with concierges, but with front desk staff, taxi drivers, valets and bellmen — all those who are directing the public. We keep hotels up-to-date with the latest menus and special offerings, so when that thirsty tourist from Des Moines asks where to go for the best margarita in town, the bellman can tell him. The key is to communicate often and extend yourself and your organization whenever possible. When the local concierge association wants a free lunch for 40, we accommodate them so they'll have a great time and remember us.

As chefs and restaurateurs we get involved in our various communities. We serve on local boards, participate in charity events and choose the institutions we love and get involved — MOCA and the public library in downtown LA, farmer's market, veteran's garden, UCLA in Santa Monica and the Culinary Academy and Rose Parade festivities in Pasadena.

According to industry surveys, dining out is the most popular activity planned after tourists arrive at a destination. If you've already got wonderful food, great ambience and perfect service, you owe it to yourself to get the word out and bring those tourists in. They're hungry! ★



Indicators appear encouraging as visitor packets ordered through the Web site and calls to California Tourism's toll-free number were both up over the same period last year.

Most California Welcome Centers also experienced an increase in visitation over last year with the largest gains posted by Los Angeles, Rohnert Park and Oceanside.

Numbers below highlight program activities from June through August 2002.

<b>Calls to toll free telephone number</b>	13,517
<b>Packets ordered on Web site</b>	27,500
<b>Packets sent from fulfillment house</b>	
Domestic	23,689
Canadian	1,372
International	2,918
Trade	568
Student	1,236
<b>Informational calls to California Tourism</b>	2,562
<b>Packets sent from California Tourism</b>	
Domestic	95
Canadian	12
International	9
Trade	0
Student	0
<b>E-mails to CalTour@commerce.ca.gov</b>	1,527
<b>Assessment calls</b>	301
<b>International contacts</b>	
Australia (Consumer & Trade)	803
Brazil (Consumer & Trade)	1,102
Germany (Consumer & Trade)	1,111
Japan (Consumer & Trade)	1,713
UK (Consumer & Trade)	1,472
Division of Tourism (Trade)	1,222
<b>Research</b>	
Contacts	110
Reports mailed	112
<b>Media relations inquiries</b>	
California Tourism office	336
Overseas offices	721
<b>California Welcome Centers (walk-ins)</b>	
CWC, Anderson	13,329
CWC, Arcata	7,471
CWC, Barstow	28,729
CWC, Los Angeles	20,980
CWC, Merced	14,024
CWC, Oceanside	25,105
CWC, Rohnert Park	11,409
CWC, San Francisco	131,037
CWC, Santa Ana	19,360
CWC, Yucca Valley	1,937



Following is the latest news from California Tourism's travel trade and public relations representatives in Australia, Brazil, Germany, Japan, Mexico and the United Kingdom.

### Australia

News from Australia is that interest rates rose 0.25 percent in June, and are expected to rise an additional 1 percent by the end of 2002. Representative Leeanne Dyer says this reflects a government strategy to slow the economy down as it powers along in most sectors. The Australian dollar has continued to gain against most other currencies, and despite a short-term decline, now stands at \$1 Australian = \$0.55 U.S. According to Dyer, economic commentators predict Australia will outperform every other developed economy, that domestic growth will reach 4.2 percent this year, and 3.8 percent in 2003.

Air New Zealand will increase flights from Los Angeles to Auckland in October, and United Airlines indicates that flights to the U.S. are experiencing light bookings, while business from the U.S. to Auckland is more brisk.

Ski wholesalers are reporting strong bookings for the coming season, but both FIT and ski wholesalers are advising that one of their main challenges in December and January is the availability of seats, as flights seem to be booked. With the U.S. perceived as expensive, Canada is performing stronger this season even though many U.S. & California locations are price competitive. Ski wholesalers are advising that if the U.S. were to offer "crazy" deals for January, this would begin to change the perception of the U.S. being expensive. Dyer also says super low fares being offered between Brisbane and Auckland by several carriers may result in an impact to the ski market as Australians choose to ski in New Zealand.

The Australia office is also working with *Postcards*, a one-hour TV special due to air in early January. With support from Air New Zealand Airlines and Air New Zealand Holidays, a crew will visit California for stories in Los Angeles, Anaheim, Buena Park and Barstow.

### Brazil

Brazil representative, Newton Vieira, reports that the U.S. dollar reached R\$3.61 at one point in July — the worst quotation of Brazilian currency since the Real plan was implemented in 1994. In August, the rate was R\$3.12 — an improvement, but still a 10 percent devaluation since July 1. Vieira points to economic instability in various Latin American countries, lack of confidence due to economic scandals in the U.S., upcoming presidential elections, and a downtrend of most stock markets around the world as contributing to the situation. Matters seemed to settle down a bit with no further dramatic changes being reported for August.

Vieira says continuous fear of another terrorist attack, combined with a very aggressive marketing approach, is making Europe the destination of the year from Brazil. Excellent fares and coordinated consumer and trade advertising campaigns were decisive components.

Other highlights include:

- Tour companies from both local carriers (Varig and TAM) are doing better every day. Their association with airlines provides credibility that is valued in unstable times. While most business for them is domestic, every month they are offering more international destinations.
- A Visit USA committee was legalized in Brazil, and is now able to receive support from the Travel Industry Association of America (TIA). The committee will soon present an action plan to promote the U.S.
- The local currency devaluation has reduced future bookings in general. Markets doing better than others can usually point to consistent communication with consumers and attractive pricing structure as reasons for success.

### Germany, Switzerland & Austria

The euro has again increased against the dollar, reports Martin Walter, with the most recent exchange rate at \$1 U.S. = 1.01 euro. Unemployment dipped a bit over the summer to 9.5 percent, and the situation is expected to improve further in

2003 with a forecasted unemployment rate of 9 percent, and a gross domestic product growth of 1 percent.

With unemployment in the 9 percent range, labor reform has become a central theme in this fall's general election. In the longer term, resulting proposals could transform an economy that has for years, in Walter's words, been the laggard of Europe.

The worst floods to hit southern and eastern Germany in a century are likely to have caused damages running into billions of euros and are set to weigh heavily on the country's already stretched budget. The German government said it will delay by one year the next phase of its tax reform program in a bid to release additional funds to help the regions hit by the current flood disaster.

Other market news:

- Lufthansa is more optimistic about business this year after the bookings fall continued to shrink in recent weeks. The carrier expects to achieve a clear operating profit in 2002 assuming that demand continues to recover and that there are no geo-political events that impact the aviation industry.
- The total number of full time travel agencies fell once again in August, continuing a trend that has persisted for years. Agencies are battling with dwindling returns due to bookings that fail to materialize.
- According to the official census bureau, Germany now has a population of 81.5 million. Of that group, 38.4 million are living with a partner and children, 22.4 million live together with a partner without children; 13.5 million singles without children, 5.7 million singles with children; and 1.5 million live in other combinations.

German public relations representative, Birgitt Mainz, reports 178 California-related media contacts from June through August. With LTU sponsoring airfare, Mainz also coordinated and escorted a press trip in July featuring Los Angeles and Palm Springs. With the theme, *From Coast to Desert – From Mild to Wild*, five German press experienced downtown Los Angeles, Chinatown, West Hollywood, Hollywood, Universal Studios, Palm



Springs Aerial Tramway, Joshua Tree National Park, and more. Publicity value generated for the three-month reporting period totaled \$1,078,487.

## Japan

Japan representative Ko Ueno reports an increase in Japan's gross domestic product for the second quarter of 2002 due to a sharp increase of exports. The GDP for April through June was up 0.2 percent over the previous quarter, with an annual GDP estimate of 1 percent over the previous year. Value of the yen was at 119.89 = \$1 U.S. — a rate nearly flat to one year ago.

Japanese airlines' overseas flight bookings for the summer vacation season were down 7.7 percent from the previous year while domestic travel was up 1.3 percent. Overall, hardest hit was travel to the U.S. mainland — down 22.3 percent.

Summer package tour trends include various family discounts. Most wholesalers are focusing on family vacations offering either a 50 percent discount for children; a three-generation discount for grandparents, parents and children; or a discount for early bookings.

In other news, United Airlines added one daily flight from Tokyo to San Francisco during the summer, while American Airlines has announced a daily Tokyo to Los Angeles flight beginning in April 2003.

The use of e-commerce continues to climb in Japan. According to the Prime Minister's Office, more than 57 percent of Japanese households own personal computers, and the Internet was used by 55 million people — or 44 percent of the population — in 2001.

From Tokyo, public relations representative Yoshihiro Fujii reports the Japan office has handled 196 California-related media inquiries from June through August. Highlights include assisting Japan National Broadcasting's special program, *Trekking through the Great American Nature – Yosemite* (scheduled to air in October) and another television program featuring a 600-mile drive down the coast of California on a Harley Davidson. The value of publicity generated in the three-month period totaled \$518,862.

## Mexico

Francisco Caballero reports that the summer season had a moderate to good response for travel agents as domestic charter flights provided them with additional sales. International flight sales decreased, and the only destination that showed an important increase was Canada—with 35 percent—due to charters to Toronto and Montreal. The lower cost of package tours combined with no visa requirements for Mexicans made the difference this year.

Caballero reports the trends aren't encouraging for U.S. destinations for December due to visa requirements. The visa has become a real problem for Mexican leisure travelers, says Caballero, as it includes a \$45 fee (which is non-refundable should the application be rejected), and a 21-day timeframe for delivery. In addition, an appointment must be made two to three months in advance, and applicants must supply bank account information, proof of wellness, tax declarations and other inconvenient or private information. Since the additional requirements (and the fee) began approximately two years ago, international visitation is trending toward destinations that do not require this step.

Top airlines Aeromexico and Mexicana both opted not to increase international frequencies this summer, while some international charter flights to traditional summer destinations had to be cancelled in the middle of the season due to a dramatic drop in sales. Eastern Canada charter flights were very successful due to low prices and the opportunity to visit a destination other than the U.S. Domestic charter flights to beach destinations were also successful with incredible low prices in all-inclusive packages.

The economy continues with a slow pace, says Caballero, and economists don't foresee significant growth in the near future.

## United Kingdom

From London, David Rose reports that long-term interest rates have risen, and that the next movement will probably be an increase. Inflation has stayed at 1.8 percent — the best record in the European Union — and the lowest

interest rates in four decades are encouraging British consumers to borrow and spend.

According to figures released by the U.S. Department of Commerce, travel from the UK to the U.S. has recovered from the dramatic fall-off seen immediately following the September 11 terrorist attacks. Between January and March 2002, numbers were just 1.8 percent down from the corresponding quarter of last year. According to Rose, the U.S. has also started appearing on the "most popular" sales lists of travel agents, a weekly activity report which is published in the trade press.

According to a survey by First Direct Bank, the average British tourist overspends his or her holiday budget by £235. The survey found that men were more likely to spend freely than women, blowing their budget to the tune of £300 per trip, versus £197.

Public relations representative Phil Bloomfield says domestic occurrences — such as a long school holiday, the wettest summer on record, a longer than expected run in the World Cup, and Wimbledon — have meant that outbound long-haul travel has suffered. These events caused travel editors to concentrate on short-haul breaks that can be taken at late notice, and which offer good value for the money. International political uncertainties were also inhibiting consumers' willingness to book and pay for holidays many months in advance, but consumer confidence in the economy remained strong.

As editors geared up for the first anniversary of September 11, substantial features dedicated to and celebrating U.S. destinations began to appear, with California featuring prominently.

Highlights include assisting *Wish You Were Here* — one of the UK's top national television programs — with a three-week shoot in October, and *No Frontiers* — Ireland's premier TV travel program — with a shoot featuring the Central Coast. Coverage from a May press tour appeared this quarter and was valued at more than \$190,000.

From June through August, Bloomfield reported 347 press contacts, with a total value of publicity generated at \$708,256. ★

## LEGO Celebrates 70

To commemorate the LEGO toy company's 70th birthday, 1,000 employees at the LEGOLAND theme park in Carlsbad were treated to birthday cake and presents. Theme park President, Bill Haviluk cut the first slice with a special group of employees — all of whom have already celebrated their own 70th birthdays! Opened in 1999, LEGOLAND California is frequently ranked as one of the best theme parks in the world.



Happy Birthday LEGO! From left to right: Jim Nelson, 75, supervises the Driving School attractions and was the 2001 Model Citizen (Employee) of the Year. Hank Talbot, 79, works in education and Ted Wake, 80, runs the Playtown Train. Hazel Padelford, 83, works in the Family Care Center, and Bill Haviluk, 59, is president of LEGOLAND California.

## Zagat Says...

A new Zagat San Francisco regional guidebook rated a Mendocino restaurant as number one in the area stretching from Mendocino County through Carmel. Victorian Gardens, owned by Luciano and Pauline Zamboni, received a score of 29 out of 30 for food quality, 28 for décor, and a perfect 30 for service! No restaurant in the book, which included the Napa Valley, scored higher.



A recently released dining guide says Victorian Gardens is in a category of its own.



Flanked by Lon Hatamiya, Secretary, California Technology, Trade and Commerce Agency (and Chair, California Travel and Tourism Commission), and Aileen Adams, Secretary, State and Consumer Services Agency, Lynn Mohrfeld (center), Vice President, Marketing & Business Development of the California Hotel & Lodging Association, accepts a Flex Your Power Energy Award on behalf of CH&LA.

## It's a Bright Idea

The California Hotel and Lodging Association (CH&LA) received a 2002 Flex Your Power Energy Conservation Award from the California Technology, Trade and Commerce Agency in August. The award was given for the organization's demonstration of early leadership and motivating its members and the entire lodging industry to take action and achieve results in addressing California's energy crisis. Through the efforts of CH&LA, it is estimated that the lodging industry reduced energy consumption during peak demand by more than 10 percent.

## Highest Environmental Protection Standards

Tenaya Lodge at Yosemite, managed by Delaware North Parks Services, has recently earned registration of GreenPath, its environmental management system, through the International Organization for Standardization (ISO). The GreenPath program incorporates environmental considerations into all business decisions; continuously promotes ecologically sound values through educational and interpretive programs; is dedicated to sustainable programs to reduce the generation, discharge and emission of waste to the air, land and water; and offers proactive programs to respond to future environmental requirements and issues.



Tenaya Lodge's Managing Director, Val Hardcastle (L), and Environmental Manager, John Loftis (R), display official registration of the GreenPath environmental management program. The internationally-recognized standard demonstrates the lodge's outstanding commitment to environmental leadership.

## Redding's Top Ambassador to Step Down



The Redding Convention and Visitors Bureau has announced that Bonnie Sharp is stepping down from her post as the city's tourism marketer extraordinaire. For 20 years, Sharp has served as the Tourism Development Representative for the Redding C&VB, promoting the many

attributes of the Northern California city and environs to visitors, tour operators and travel media throughout North America. Her tireless efforts have resulted in the inclusion of Redding in group tour itineraries, plus coverage of the destination in magazines, newspapers, guide books, TV and radio shows. Sharp's destination marketing prowess is only topped by her passion for the area she has called home since 1971. Upon her retirement on December 31, 2002, Sharp is not expected to wander too far from the tourism scene, as she explores volunteer opportunities with local events and attractions. ★



# INSIGHTS

Research

## Travel Has Changed

*How the Economy and September 11 Have Impacted the Industry*



Londie Padeisky

*Leisure travel in California, particularly by state residents, was the strongest factor in California's 2001 positive travel volume.*

Predictions and forecasts were made in the months following September 2001 for varying degrees and speeds of recovery for travel and tourism in the near future, the foreseeable future, and into the next few years. Industry professionals scrambled to keep up with it all, to reassure the public, and to keep track of what was happening in their own businesses. During this period of uncertainty, changes in California

have paralleled developments in the rest of the United States.

### *The Economy*

Following the September 11 attacks, economists forecasted a strong, sharp "V" shaped economic recovery by mid 2002 rather than a "U" shaped recovery (weak 2002, and recovery in 2003). The economy had shown some signs of decline in early 2001, particularly in the

dot-com market. In fact the "Conference Board's Consumer Confidence Index began a steady decline in the last half of 2000. The index decreased sharply in 2001, dipping below 100 in September and averaging 106.6 for the year (1985 base level = 100). This is a dramatic drop from the average annual record high of 139.0 set in 2000. This was the first time consumer confidence had dipped below 100 since 1996. Confidence levels remain depressed, not reaching above 100 until March 2002."<sup>1</sup> The Consumer Confidence Index again took a downward turn in June 2002, reaching 94.5 in August and 93.3 in September. Analysts had been expecting a reading of 92.4 in September, and noted the slight increase as an encouraging sign. The director of the Conference Board, Lynn Franco, commented, "While consumers are not as positive about current business conditions, they are more optimistic about the outlook than last month [August 2002]. Historically, this trend is prevalent during a recovery."<sup>2</sup> Corporate accounting scandals and stock market volatility have impacted consumer-spending confidence. According to a statement by PricewaterhouseCoopers LLP in late August, the economy is now expected to grow below trend pace for at least another two quarters.<sup>3</sup>

<sup>1</sup> *Domestic Travel Market Report, 2002 Edition*. Travel Industry Association of America, 2002, p. 9.

<sup>2</sup> "Consumer Confidence Falls Again," *New York Times*, September 24, 2002.

<sup>3</sup> "Economic Events to Restrain Lodging Demand Growth Through Remainder of 2002," PR Newswire, NY, Aug. 27, 2002.

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U.S. and California Travel Volume			
	Mar. '02	Mar. '01	% Change
	(Millions of Person Trips)		
<b>Total US Travel</b>	<b>218.2</b>	<b>216.2</b>	<b>0.9%</b>
Business	58.2	64.9	- 10.3%
Leisure	160.0	151.3	5.8%
<b>Total Travel To and Through CA</b>	<b>27.3</b>	<b>27.6</b>	<b>- 1.1%</b>
Business	7.7	8.5	- 9.4%
Leisure	19.6	19.1	2.6%
Residents	22.8	23.9	- 4.6%
Non-Residents	4.5	3.7	21.6%
<b>Total Overnight Travel To and Through CA</b>	<b>11.8</b>	<b>10.9</b>	<b>8.3%</b>
Business	3.1	3.6	-13.9%
Leisure	8.7	7.4	17.6%
Residents	7.8	7.8	0.0%
Non-Residents	4.1	3.1	32.3%

Source: D.K. Shifflet & Associates

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## Travel Has Changed

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Travel industry analyst James Cammisa, in his August *Travel Industry Indicators* notes, "Consumer spending psychology will be more closely tied to the swings in the financial markets than ever before. Half of all U.S. households have mutual funds, stocks or 401(k) holdings tied to Wall Street. Fear of losses are particularly worrisome to pre-retirees and retirees. These 55+ age group households represent a third of all U.S. households and are an important travel market segment. For the broad base of the total population, financial insecurity traditionally triggers higher rates of saving and lower rates of spending. There is evidence that this is already happening. Savings as a percent of disposable income

in May/June was at 4.2 percent, up from the 1.6 percent level for all of last year.

"Consumer economic fundamentals still remain strong in spite of the fact that the economic rebound is less than robust. Real disposable income is 4.4 percent above a year ago as wage increases are not being eroded by inflation, which is virtually nil. Spending by consumers is a healthy 3 percent above a year ago. Unfortunately, travel is not getting its fair share of these dollars as "home-oriented" outlays take priority over "away-from-home" spending."<sup>4</sup>

"California's economy generally fared better than the rest of the nation. By March 2002, the state's unemployment rate had risen less, and fewer jobs were lost, compared to the U.S. labor force; employment was down 0.5 percent from

one year ago for California, compared to a 1.5 percent decline for the nation.

... Airlines, restaurants, lodging, and visitor shopping were most adversely affected. California employment in the air travel industry decreased 11.5 percent by March 2002. Lodging industry employment decreased by 2.7 percent."<sup>5</sup> More recently, California's unemployment figure for July was 6.3 percent, compared to the national rate of 5.9 percent.

California's year-end 2001 domestic travel expenditure figures reflect the trend toward less 'away-from-home' spending. The average expenditure (without transportation) per person per day was \$81.10, compared with \$81.90 in 2000, a decrease of 1 percent. The decrease in spending is stronger for leisure travelers, where the average expenditure (without transportation) per person per day in 2001 was \$72.00 compared to \$73.60 in 2000, a decrease of 2 percent. Spending by non-California residents dropped by 5 percent from \$80.10 in 2000 to \$76.00 in 2001.

## Comparison of State Park Attendance by Areas/Type of Parks

1998/99 fiscal year  
1999/00 fiscal year  
2000/01 fiscal year  
2001/02 fiscal year

Area/Type of Park	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
Redwood Parks	848,154	275,515	247,856	556,463
	809,676	320,184	237,064	608,802
	948,643	325,064	256,660	637,411
	979,371	302,019	266,758	771,900
Sacramento Area State Parks	307,076	248,655	341,821	703,508
	295,312	230,845	308,328	494,902
	336,372	305,720	290,407	464,515
	311,311	208,584	325,942	513,645
Lake Tahoe Area	503,060	82,195	45,498	170,629
	533,688	134,454	52,947	198,514
	598,591	53,337	66,977	306,671
	608,748	105,423	53,914	257,972
Gold Country State Parks	300,835	177,301	136,413	321,963
	240,801	163,945	128,063	329,091
	235,441	158,682	133,321	326,925
	274,281	247,318	179,003	353,815
Santa Cruz - Monterey Area	722,295	647,237	795,100	1,033,170
	1,285,717	925,278	701,805	1,091,542
	1,379,006	1,091,621	860,197	1,122,992
	677,737	826,852	877,330	983,158
San Francisco Area	1,273,219	473,498	618,301	1,393,020
	1,471,309	622,211	702,295	1,426,563
	1,257,251	761,258	616,507	1,393,093
	1,225,941	815,182	1,280,132	1,358,032
Southern California Beaches	5,071,911	1,331,016	1,337,536	2,876,430
	5,753,449	2,198,426	1,762,522	3,618,737
	6,249,873	2,568,349	2,522,680	5,574,456
	7,559,921	2,748,779	2,732,597	4,817,294
Desert State Parks	97,416	213,717	324,235	188,098
	84,511	223,883	289,977	187,571
	130,052	265,020	350,809	377,076
	110,515	281,816	400,900	213,638

Source: California State Parks

## International Travel

Overseas travel took a serious hit in 2001. The World Tourism Organization has recognized that the impact of the economic situation beginning in late 2000 in Western countries, such as the U.S. and Germany, coupled with the attacks on America exacerbated the declines in international tourism. "In the months following September 2001, it was not so much that people stopped traveling altogether but rather that they restructured their travel habits favoring destinations that were closer to [their home country], more familiar and accessible using means of transportation that were perceived to be safer, that is, individual rather than mass transport."<sup>6</sup> The economic difficulties in European and Asian countries coupled with travelers' concerns about security led to decreases in the number of overseas flights and lower passenger loads. While year-end figures are not yet available for overseas travel to California, examination of the international air arrival statistics for September through December 2001 shows the declining numbers that will result in double digit decreases in total overseas travel. A review of the same

<sup>4</sup> "Travel Industry Indicators," James V. Cammisa, Jr., August 28, 2002. p. 2-3.

<sup>5</sup> "California Economic Review," California Technology, Trade and Commerce Agency, Summer 2002, p. 1 and 8.

<sup>6</sup> "Travel Industry Association of America U.S. Travel Industry Performance Update #23," September 23, 2002.

figures for the spring and summer months of 2002 show a steady upward trend that it is hoped will continue.

The U.S. Department of Commerce is projecting positive international travel figures in the coming two to three years: "According to recent figures released by the Department of Commerce, international travelers are beginning to return to the United States. Commerce's semi-annual Forecast of International Travel to the United States shows a recovery to the record visitation levels of 2000 by 2004 and real growth in 2005.

The key markets responsible for an improved long-term forecast are our neighbors, Canada and Mexico. The number of visitors from these markets is expected to grow by 35 and 26 percent, respectively, between now and 2005.

Europe is also expected to rebound by 2003, especially as its economy strengthens. Total visitor arrivals to the United States were down 19 percent in 2001, but arrivals should bounce back with 10 percent growth in 2003.

The strength of the European recovery is with the top market, the United Kingdom, which will maintain its new lead position over Japan as the top overseas source market. Japan was consistently the top source of international visitors to the United States until 2001, and in fact it has been the top source for 28 of the last 30 years. However, Japan is forecasted for weak growth this year. Economic improvements are anticipated, and Japan should see an overall increase of 23 percent over the 2001 levels by 2005. A recovery of Asian travelers in general is expected to be slow, with the exception of South Korea, Taiwan, and China, which are forecasted to rebound much more rapidly."<sup>7</sup>

## Domestic Travel

The percent increase in total 2001 year-end travel volume for California exceeded the change in travel volume totals for the United States. The Travel Industry Association of America (TIA) reports that despite a tumultuous year, total U.S. domestic travel for 2001 was up two percent over 2000.<sup>8</sup> California's year-end total travel volume was 307.7 million person trips, an increase of 7 percent over 2000. Travel within the state by California residents, comprising 86 percent of total domestic travel volume, rose 10 percent, effectively counter-balancing the 8 percent decrease in non-resident travel to California.

When comparing total travel to and through California in 2001 month by

month, January and May each showed a 2 percent decrease compared to 2000 figures, September tallied a 4 percent decrease, followed by a dramatic 14 percent increase in October, a 9 percent decrease in November, and a 9 percent increase in December. The national domestic monthly travel volume figures are similar, particularly in the months of September through November.

Leisure travel in California, particularly by state residents, was the strongest factor in California's 2001 positive travel volume. Total leisure travel to and through the state was up 8.3 percent, leisure travel by residents was up 12 percent. Leisure travel

month by month was very strong in the spring (March +31 percent and April +24 percent) and summer (July +19 percent and August +15 percent). In particular, leisure travel grew more in December 2001 (21 percent) than December in the previous decade (1992 through 2001), for a total of 22.2 million person trips. This increase undoubtedly reflects the increase in visiting friends and relatives that took place after September 11.

On a national level leisure travel continues strong, leading the recovery of

<sup>7</sup> Export America, "Helping the Tourism Industry Recover" by Doug Baker, Office of Service Industries, Tourism and Finance, U.S. Dept. of Commerce, August 2002.

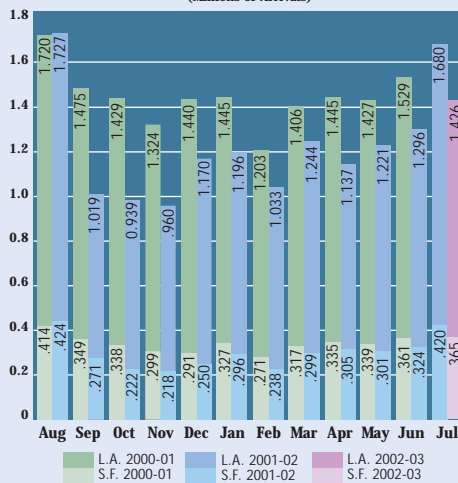
<sup>8</sup> Domestic Travel Market Report, 2002 Edition, p. 5.

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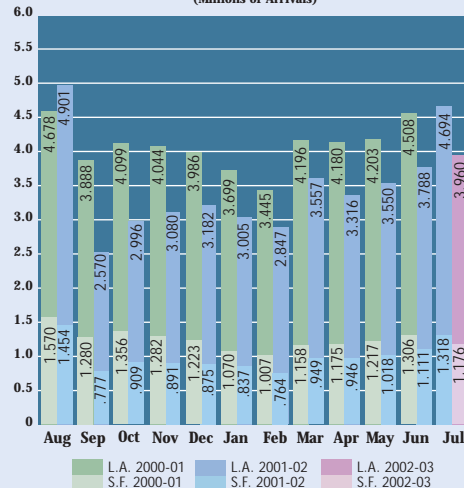


Sources: City of Los Angeles Dept. of Airports; SFO Bureau of Communications; San Diego Unified Port District Airport Operations Dept.; Oakland Airport Finance Office; Airport Finance and Administration, City of San Jose.

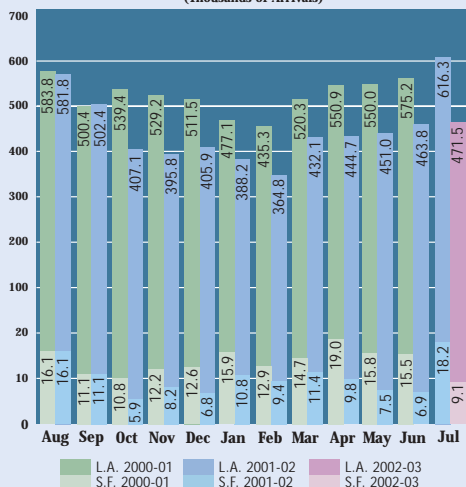
**International Air Arrivals**  
Los Angeles - San Francisco  
(Millions of Arrivals)



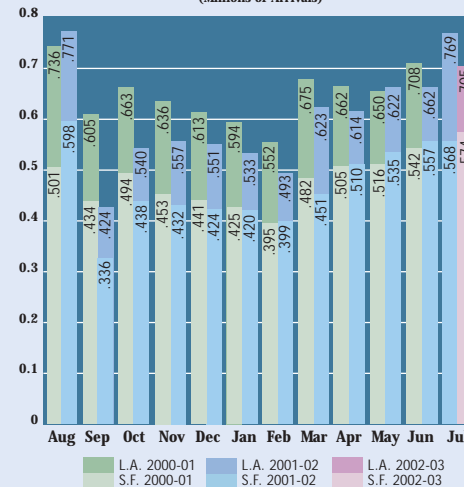
**Domestic Air Arrivals**  
Los Angeles - San Francisco  
(Millions of Arrivals)



**Domestic/International Air Arrivals**  
San Jose  
(Thousands of Arrivals)



**Domestic Air Arrivals**  
San Diego - Oakland  
(Millions of Arrivals)

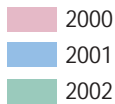




## National Park Attendance

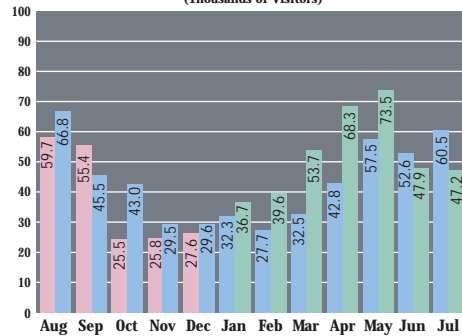
Source: National Park Service

### KEY



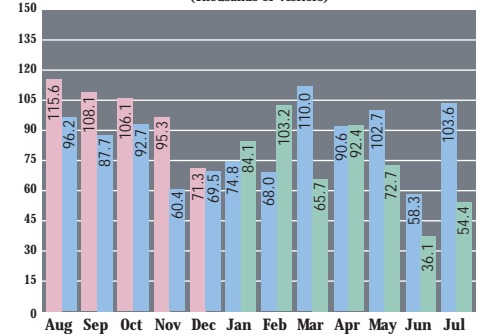
### Channel Islands National Park

(Thousands of Visitors)



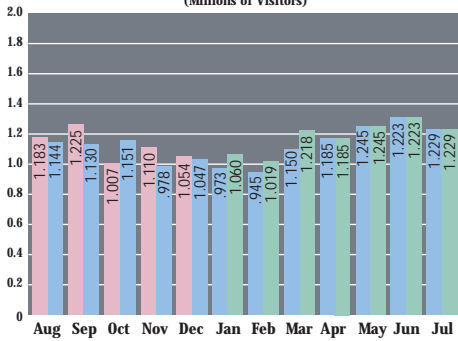
### Death Valley National Park

(Thousands of Visitors)



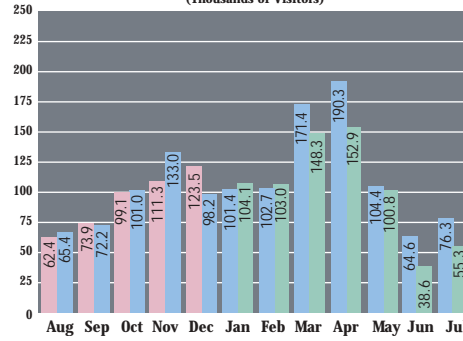
### Golden Gate National Recreation Area

(Millions of Visitors)



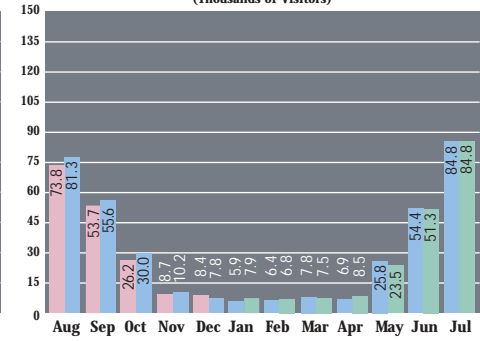
### Joshua Tree National Park

(Thousands of Visitors)



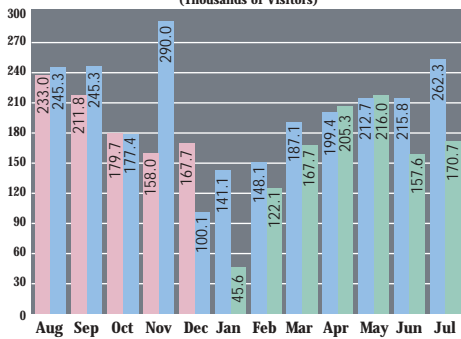
### Lassen Volcanic National Park

(Thousands of Visitors)



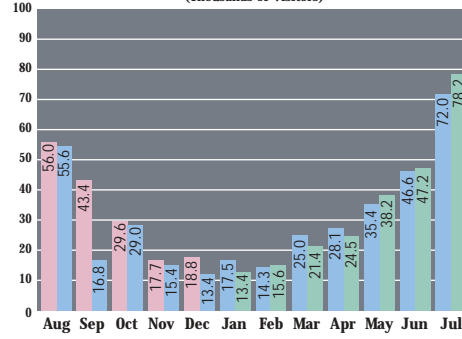
### Pt. Reyes National Seashore

(Thousands of Visitors)



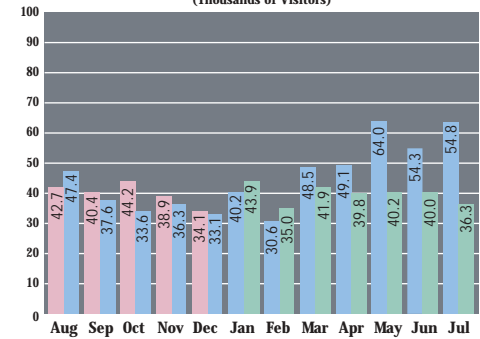
### Redwood National Park

(Thousands of Visitors)



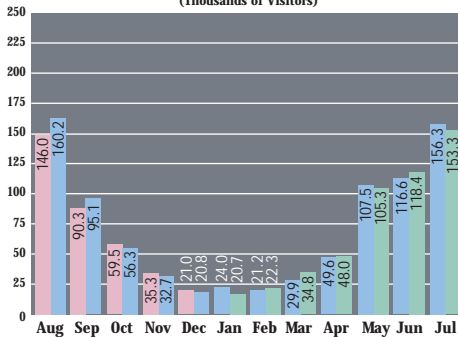
### Santa Monica National Recreation Area

(Thousands of Visitors)



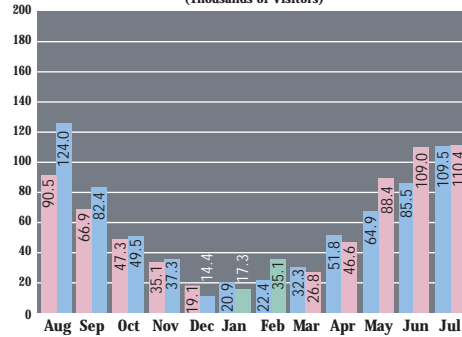
### Sequoia National Park

(Thousands of Visitors)



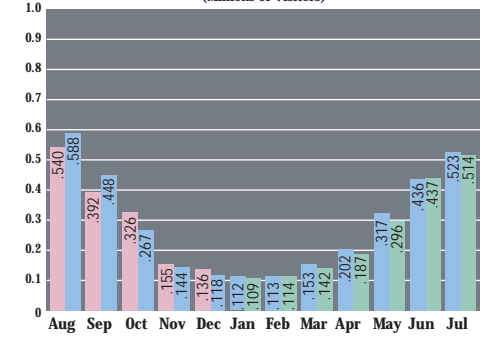
### Whiskeytown-Shasta-Trinity National Recreation Area

(Thousands of Visitors)



### Yosemite National Park

(Millions of Visitors)





## Travel Has Changed

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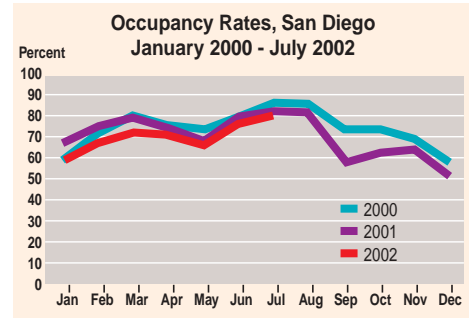
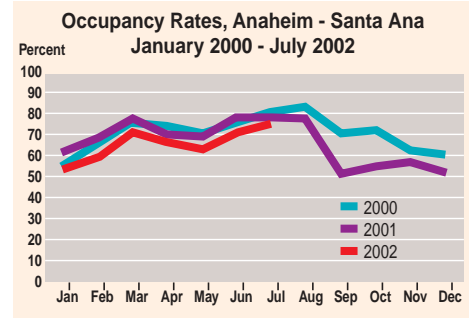
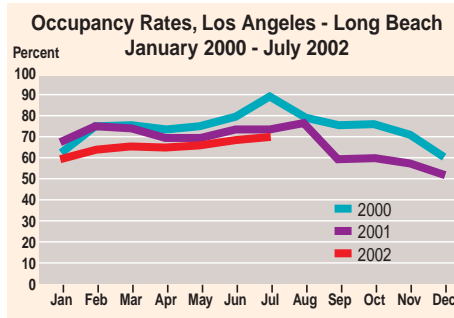
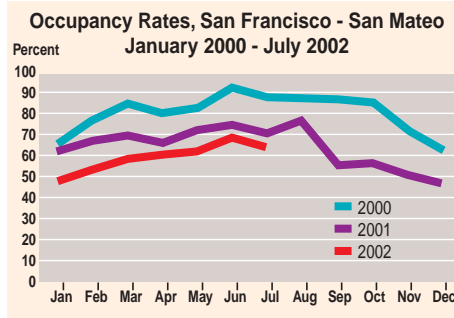
the industry "with a nearly 2% increase in leisure travel volume for the first six months of this year over the same period of 2001, according to data from the Travel Industry Association."<sup>9</sup> California's leisure travel figures for the first quarter of 2002 are 10 percent higher than the same period in 2001. Overnight leisure is up 2 percent over the first quarter of 2001.

Business travel in the U.S. is undergoing significant changes. Recent surveys of business travelers and corporate travel managers indicate that business travel is still below normal. "In a survey of 200 corporate travel managers conducted August 29 - September 5, [2002] 70% responded that travel in their companies is down from this time last year by up to 20%. 72% said their travel was below 2000 levels, which is the last time travel was considered normal. In fact, 31% of respondents said their travel was down by 20% or more from 2000. A year after the terrorist attacks on America, corporate travel is still below normal, according to a new survey by the National Business Travel Association (NBTA). Yet, the economy, not security, is still the main reason for the current low levels of travel, according to survey respondents."<sup>10</sup> Frequent air travelers are taking to the road or turning to electronic means as a less expensive way to conduct business.

California's total business travel volume in 2001 was 4 percent higher than in 2000. Again, state residents helped keep the numbers positive, with a 5 percent increase in resident business travel. Non-resident business travel dropped slightly by 0.7 percent. California business travel figures for the first quarter of 2002 are a strong 8 percent above the first quarter of 2001. Overnight business, however, is down 6 percent compared to the same period of 2001.

### Travel in California, 2001 vs. 2000 (in millions of person-trips)

	2001	2000	Percent Change
Total Travel	307.7	287.3	7.1%
Business	84.5	81.2	4.1%
Leisure	223.3	206.1	8.3%
Resident	265.7	241.4	10.1%
Business	70.1	66.7	5.1%
Leisure	195.6	174.7	12.0%
Non-residents	42.1	45.9	-8.3%
Business	14.4	14.5	-0.7%
Leisure	27.7	31.4	-11.8%



Source: Smith Travel Research, 2000-2002

## Lodging

The lodging industry is the first to feel the impact of surges or declines in travel, and the lodging figures for 2001 and 2002 have proven this true. The 2002 mid-year lodging evaluation from Ernst & Young reported: "California's lodging performance levels declined noticeably in the first quarter of 2001 as corporations began to retract travel-related spending. This trend was apparent throughout California's lodging markets but particularly apparent in San Francisco as tech-related corporate travel spending came to a virtual standstill. Given the prolonged economic recovery pace, corporate travel spending is not anticipated to return to its 2000 levels in the short-term (4-6 months), however, corporate demand should begin to revive particularly in the fourth quarter of 2002 as corporations re-evaluate their travel budgets in light of improving business conditions."<sup>11</sup> PricewaterhouseCooper agrees that the return to business as usual in the lodging industry will not happen in the near future, although their forecast on the national level is less optimistic than that of Ernst & Young. "Lodging demand has taken between three and six quarters to recover from the trough (lowest point)

and regain the previous peak in the past three industry cycles since 1973. PwC [PricewaterhouseCoopers] now expects lodging demand to take eight quarters or more from the fourth quarter of 2001 to the fourth quarter of 2003 to regain the previous peak of 2,586,000 room nights sold."<sup>12</sup>

A look at the occupancy rates for California's major cities from January 2001 through July 2002 shows California's trend line is on the upswing this calendar year, although it has not reached the levels of 2000 or 2001. Average weekly occupancy rates provided through Smith Travel Research for major cities show occupancy levels in 2002 are following the same pattern as those for comparable weeks in 2001, albeit at a lower level.

The percent changes in average room rates in California's urban areas continue to show negative levels compared to the previous year. This continues a trend that began in June 2001 for the San Francisco/San Mateo area, and in August 2001 (prior to the events of September 11, 2001) for the Los Angeles/Long Beach and San Diego areas. Anaheim/Santa Ana's, and many other areas' average room rate began to show negative percentages in September 2001.

continued on page 19

<sup>9</sup> Travel Advance, September 16, 2002.

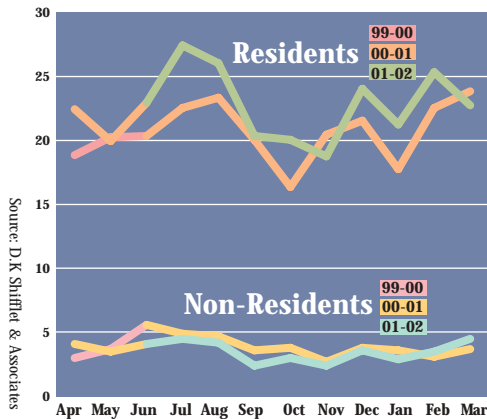
<sup>10</sup> "Business Travel Still Below Normal One Year After September 11th, Finds NBTA Survey; Economy and High Fares Contribute to Low Travel Spending." *Business Wire*, Sept. 9, 2002.

<sup>11</sup> Ernst & Young, The California Mid-Year Lodging Report, August 2002.

<sup>12</sup> "Economic Events to Restrain Lodging Demand Growth Through Remainder of 2002," PR Newswire, NY, Aug. 27, 2002.

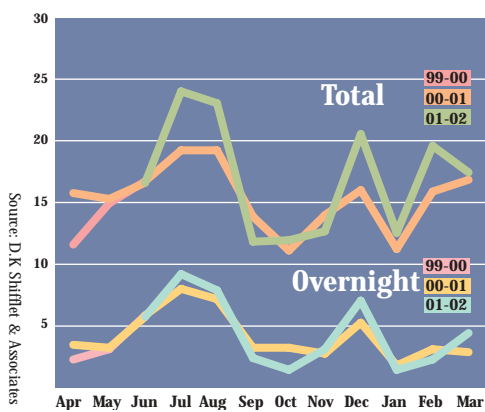
## Domestic Travel To And Through California

(Millions of Person Trips)



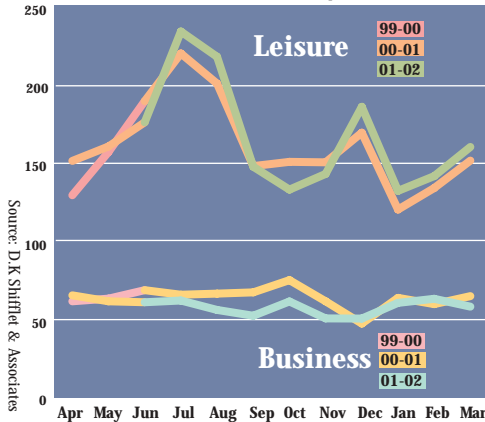
## Domestic Leisure Travel To And Through California

(Millions of Person Trips)



## Domestic Travel To And Through the U.S.

(Millions of Person Trips)



Location	Month of July		July Year to Date	
	Occupancy % change 2001: 2002	Avg Room Rate % change 2001: 2002	Occupancy % change 2001: 2002	Avg Room Rate % change 2001: 2002
United States	-0.3%	-1.8%	-3.2%	-3.7%
Pacific	-1.4%	-4.1%	-5.5%	-5.8%
California	-2.5%	-4.1%	-6.4%	-6.4%
California North	2.6%	-0.7%	0.0%	0.4%
California North Area	10.3%	-0.4%	3.9%	1.0%
California North/Central	-0.7%	0.2%	-0.3%	-3.7%
California South/Central	7.4%	3.8%	2.0%	2.6%
Anaheim-Santa Ana	-3.0%	-0.8%	-8.2%	-3.4%
Bakersfield	8.9%	2.7%	-3.3%	1.2%
Eureka/Crescent City	7.1%	-2.5%	-1.8%	1.4%
Fresno	4.9%	7.0%	2.2%	3.9%
Inyo/Kings/Tulare	8.6%	1.6%	11.7%	1.5%
Los Angeles-Long Beach	-4.4%	-3.7%	-7.3%	-3.5%
Oakland	-10.4%	-4.4%	-14.4%	-8.7%
Oxnard/Ventura	1.4%	4.4%	-0.1%	2.7%
Palm Springs	8.4%	2.0%	-3.2%	-5.1%
Redding/Chico	4.6%	3.9%	5.9%	4.0%
Riverside-San Bernardino	3.8%	2.6%	0.0%	0.7%
Sacramento	-4.4%	-1.5%	-3.3%	-0.1%
Salinas/Monterey	-0.1%	-3.1%	-2.1%	-1.6%
San Diego	-0.7%	-0.1%	-5.1%	-2.1%
San Francisco/San Mateo	-6.9%	-14.3%	-13.4%	-15.1%
San Jose-Santa Cruz	-6.5%	-11.4%	-12.6%	-18.8%
San Luis Obispo	-4.1%	6.0%	-1.3%	6.6%
Santa Barbara/Santa Maria	0.4%	3.2%	-1.2%	2.3%
Santa Rosa-Petaluma	-9.4%	-2.6%	-10.1%	0.5%
Stockton Area	-3.4%	-2.2%	-4.5%	0.7%
Vallejo-Fairfield-Napa	-1.4%	1.2%	-0.5%	-0.4%

Source: Smith Travel Research, all rights reserved. Copyright 2002.



## Top Domestic Markets

	% Change July to July 2002		
Employment	July-02	July-01	% Difference
California	16,481,000	16,439,000	0.3%
Arizona	2,345,900	2,311,500	1.5%
Nevada	1,006,700	982,000	2.5%
Oregon	1,686,000	1,703,800	-1.0%
Texas	10,104,500	10,032,000	0.7%
Washington	2,876,600	2,860,700	0.6%
Unemployment Rate	July-02	July-01	% Difference
California	6.3%	5.3%	18.9%
Arizona	6.5%	5.1%	27.5%
Nevada	5.4%	5.1%	5.9%
Oregon	7.3%	6.4%	14.1%
Texas	6.5%	5.4%	20.4%
Washington	7.1%	6.3%	12.7%
Housing Starts (year to date)	July-02	July-01	% Difference
California	88,356	87,513	1.0%
Arizona	37,332	37,676	-0.9%
Nevada	19,966	22,530	-11.4%
Oregon	13,602	12,198	11.5%
Texas	95,338	88,084	8.2%
Washington	24,105	25,163	-4.2%



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The fourth edition of *Racial and Ethnic Diversity* profiles Americans at the millennium. It reveals the social and economic well being of the many racial and ethnic groups that make up the United States. Includes education, housing, health, living arrangements and spending, and utilizes the latest 2000 census numbers. Cost: \$99. ISBN 1-885070-45-4.

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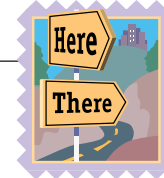
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## Here & There

### Private Aviation claims high returns.

The 2001 National Economic Impact Report prepared by the Aviation Safety Council states:

- Private Airplanes made 77% of all flights in the USA in 2001.
- For every \$1 spent on hospitality by a commercial airline visitor, a private aircraft visitor spent \$3.34 on hospitality.

**Multilingual California.** Census 2000 language statistics show that the Los Angeles-Riverside-Orange County Metropolitan Statistical Area (MSA) has the largest number of foreign language speakers in the U.S. at over 7 million. The San Francisco-Oakland-San Jose MSA was third with 2.4 million. The data also shows that 46.8% of residents of the extended Los Angeles Area MSA speak a language other than English at home, 70.7% speak Spanish and 18.2% speak an Asian language. In the Salinas, CA MSA, 47.3% of residents speak a non-English language at home – 83.5% speak Spanish, 9.1% speak an Asian language, and 6.5% speak a European language. 45.2% of Merced, CA MSA residents speak a language other than English at home, 77.7% speak Spanish, 11.4% speak an Asian language and 10.4% speak a European language. ★

### California Welcome Centers (CWC) Percent Change in Number of Visitors

	Aug-02	Aug-01	% chg.	YTD '02	YTD '01	% chg.
CWC, Anderson	4,849	4,688	3.4%	25,991	26,004	0.0%
CWC, Arcata	2,740	2,036	34.6%	12,416	10,988	13.0%
CWC, Barstow	10,382	10,562	-1.7%	54,934	53,072	3.5%
CWC, Los Angeles	7,544	2,902	160.0%	39,946	13,908	187.2%
CWC, Merced	6,464	4,134	56.4%	25,770	24,555	4.9%
CWC, Oceanside	8,885	4,913	80.8%	50,990	41,113	24.0%
CWC, PIER 39	47,456	52,903	-10.3%	252,526	250,038	1.0%
CWC, Rohnert Park	4,012	1,922	108.7%	17,172	11,921	44.0%
CWC, Santa Ana*	6,832	n/a	n/a	45,420	n/a	n/a
CWC, Yucca Valley**	585	n/a	n/a	6,183	n/a	n/a

### California Visitor Centers Percent Change in Number of Visitors

	Jul-02	Jul-01	% chg.	YTD '02	YTD '01	% chg.
Death Valley	1,106	1,672	-33.9%	12,913	17,037	-24.2%
Los Angeles	2,082	13,734	-84.8%	22,385	63,407	-64.7%
Monterey	26,465	32,737	-19.2%	107,025	131,150	-18.4%
Sacramento	3,474	3,751	-7.4%	17,746	n/a	n/a
San Diego	4,660	5,719	-18.5%	23,903	27,854	-14.2%
San Francisco	44,329	70,515	-37.1%	205,304	330,511	-37.9%
Santa Barbara	34,159	33,598	1.7%	157,042	145,323	8.1%

\* = opened November 29, 2001 \*\* = opened May 2, 2002

Sources: Calif. Welcome Center, Anderson; Calif. Welcome Center, Arcata; Calif. Welcome Center, Barstow; Calif. Welcome Center, Beverley Center; Death Valley Chamber of Commerce; Los Angeles Convention & Visitors Bureau; Calif. Welcome Center, Merced; Monterey Peninsula Visitors & Convention Bureau; Calif. Welcome Center, Oceanside; Calif. Welcome Center, PIER 39; Calif. Welcome Center, Rohnert Park; Sacramento Convention & Visitors Bureau; San Diego Convention & Visitors Bureau; San Francisco Convention & Visitors Bureau; Calif. Welcome Center, Santa Ana; Santa Barbara Convention & Visitors Bureau; Calif. Welcome Center, Yucca Valley.





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## Travel Has Changed

continued from page 15

As shown on the July Lodging Report on page 16, both occupancy rates and average room rates in many of the driving destination areas of the state are showing positive percent changes when compared to July 2001. This is indicative of the trend toward auto rather than air travel, as well as the rise in intrastate travel in the past year.

### Modes of Transportation

The events of September 11 and the resulting air travel reductions led to a 17 percent decrease below previously forecasted U.S. domestic air travel for the fourth quarter of 2001. The current forecast provided by D.K. Shifflet & Associates places the return to projected levels of air traffic in the first quarter of 2005.<sup>13</sup> In the same vein, the International Air Transport Association (IATA) has stated "passenger and cargo traffic should regain pre-September 11 levels in 2003, but globally, financial recovery could take a further year. 'By the end of 2003, we expect to recover most of our lost ground and to be back at pre-Sept. 11 volumes,' said IATA's new director general Giovanni Bisignani. Passenger traffic is expected to decline 3% this year before rebounding 6% in 2003. Average growth up to the end of 2006 [is] expected to reach 4%."<sup>14</sup>

During the first quarter of 2002 California's market share of domestic air travelers arriving from other states was relatively stable (within 1 to 2 percentage points) compared with the first quarter of 2001. California has maintained its share of interstate domestic air travel despite a 14 percent decrease in air passenger volume for the quarter (1Q-2002 v. 1Q-2001).

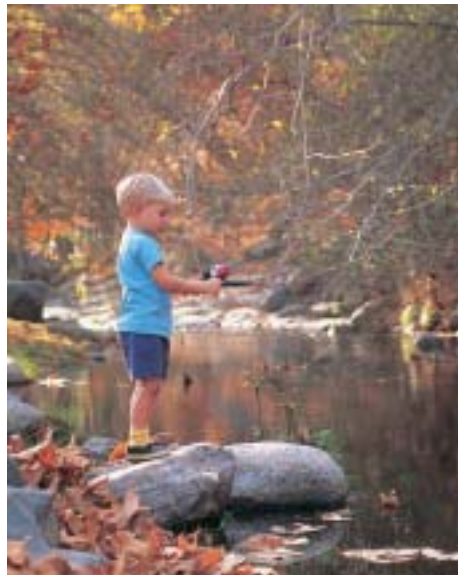
Air passenger volumes within California in the first quarter of 2002 show that reductions in the number of in-state flights has led to decreases in the number of passengers to and from all airports in California, with the exception of travel to Oakland.<sup>15</sup> The increase in passengers to Oakland Airport was primarily the result of additional San Diego-Oakland flights and passengers.<sup>16</sup>

Following September 11, 2001, business air travel in California dropped from 22 percent to 17 percent, a 22 percent decrease, whereas in 2000 the change for the same period was a reduction of 15 percent. Leisure air travel in the post September 11 period dropped 21 percent, while in previous years it had typically increased from 11 to 15 percent.

A portion of the lost air travel pre and post September 11 was replaced by an increase of 11 percent in car travel for business travelers and 9 percent for leisure travelers. During the same period in 2000, car travel by business travelers increased 9 percent, while that by leisure travelers only increased 3 percent.<sup>17</sup>

### Recent Trends

According to a survey taken by *American Demographics* magazine, "In October 2001, 12 percent of Americans with young children (up to age 11) said they planned to take a family vacation in response to the attacks on September 11.



Donna Carroll

By June 2002, almost twice as many (20 percent) said they had taken such a vacation with their loved ones."<sup>18</sup>

Early evaluations of travel in summer 2002 show, "Summer vacation travel performance was generally as expected. Domestic trip volume was in the +/- 2 percent range, as compared to last year. It was characterized by close-to-home trips with a higher incidence of drive versus air travel and moderated levels of vacation spending."<sup>19</sup>

Overall attendance at California State Parks continues to increase 10 percent annually, with campground reservations climbing. The National Parks located in California are recording numbers comparable to previous years, with some parks showing an increase in visitation through July 2002. The Recreational Vehicle Industry Association reports that shipments to dealers continued at a strong pace in the second quarter of 2002. Compared to the same quarter of 2001, "conventional travel trailers were up 23.3 percent and motorhome

shipments grew 22.8 percent."<sup>20</sup> Spending on recreational equipment, in particular all-terrain vehicles, jet skis and RVs is thriving. "Easy credit and a 'nesting instinct' are driving an increase in sales of such adult toys. Apparently, play is one thing Americans haven't been willing to give up."<sup>21</sup>

Nationwide, attendance at theme parks this year is projected by industry analysts to be down about 15 percent. Disneyland will probably see no change in attendance figures, however the park's 2001 attendance was 11 percent below that of 2000. California Adventure attendance is forecast to be down 20 percent. The decrease in international travelers is probably causing these changes, as well as the careful spending by local residents, according to a park spokesperson. Six Flags Magic Mountain in Valencia reports slightly better attendance than last year, as does Universal Studios, both crediting the opening of new attractions within the parks with keeping the visitors coming through the turnstiles. Sea World San Diego also reports steady business.<sup>22</sup>

Probable evidence of increased highway traffic can be seen in the monthly and year-to-date visitation figures for California Welcome Centers all over the state, some of which are showing double and triple digit increases. The Welcome Centers are located on major highways and are easily accessible to the driving traveler looking for information about the region they are visiting.

"Americans have clearly changed their travel habits in response to September 11. They are staying closer to home, traveling more often by car, and spending less time away. They are traveling more with family, attending more reunions, and making more connections with the natural environment and America's heritage and culture."<sup>23</sup> Travelers in California are right in step with the rest of the country. ★

<sup>13</sup> 2001 California Travel Intelligence, Pre-Post 9/11, D.K. Shifflet & Associates, August 2002.

<sup>14</sup> Reported in *Travel Advance*, September 4, 2002.

<sup>15</sup> *Origin Analysis of U.S. Domestic Air Travelers to California Destinations*, CIC Research, Inc., September 2002 update.

<sup>16</sup> T-100 Segment Data, CIC Research, Inc., September 25, 2002.

<sup>17</sup> *Pre-Post 9/11 Travel in the United States and California*, D.K. Shifflet & Associates, August 2002, p. 64.

<sup>18</sup> "Family Matters" by Rebecca Gardyn, *American Demographics*, September 2002, p37.

<sup>19</sup> Cammisia, op cit.

<sup>20</sup> TIA Performance Update #23, Sept. 23, 2002.

<sup>21</sup> *Wall Street Journal*, quoted in *Travel Advance*, August 27, 2002.

<sup>22</sup> "Theme Parks Still Looking for Visitors," *Los Angeles Times*, August 24, 2002.

<sup>23</sup> Travel Industry Association of America, September 11 Anniversary talking points, [www.tia.org](http://www.tia.org)

# Europe Hears the California Message

California Tourism's Director of Communications recently returned from a two-week media mission to Germany, Austria, Switzerland, England, and Scotland. From October 7 through October 18, Fred Sater shared California story ideas with key consumer and travel trade editors, writers and broadcasters in these important European markets. The trip laid the foundation for future media coverage about California, which is expected to lead to an increased interest in visiting the Golden State. California Tourism's in-market public relations representatives in Germany and the United Kingdom – Kleber PR Network and First Public Relations – organized appointments, interviews and meetings. ★

## Got a name or address change?

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## November 2002

8-13	National Tour Association (NTA) Convention	Los Angeles, CA
8-14	World Travel Market (WTM)	London, England
10-13	National Trails Symposium	Orlando, FL

## January 2003

20-24	California/Las Vegas/Arizona CVA Sales Mission	Guadalajara & Mexico City
26-28	11th Annual California Bed & Breakfast Inns (CABBI) Conference and Trade Show	Santa Rosa, CA

## February 2003

5	California Travel & Tourism Commission Marketing Committee Meeting	Monterey, CA
6	California Travel & Tourism Commission Executive Committee Meeting General Commission Meeting	Monterey, CA
16-20	California Travel Market (CTM)	Hollywood & San Diego North County
18-19	Expo Vacaciones	Mexico City, Mexico

## March 2003

7-11	International Tourism Exchange Boerse (ITB)	Berlin, Germany
20-23	TUR (Turistmassen)	Gothenburg, Sweden
22-26	California Conference on Tourism	San Diego, CA

## INSIGHTS

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